



**DEPARTMENT OF INSURANCE
STATE OF ARIZONA**

Financial Affairs Division – Tax Unit
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**ARIZONA LICENSED SURPLUS LINES BROKER
SEMI-ANNUAL STATEMENT AND PREMIUM TAX REPORT FILING INSTRUCTIONS**

SEMI-ANNUAL STATEMENT PERIODS	FORM NUMBERS	STATEMENT AND TAX DUE DATES*
JANUARY 1 THROUGH JUNE 30	E-SL-1	SEPTEMBER 1
JULY 1 THROUGH DECEMBER 31	E-SL-2	MARCH 1

* When DUE DATE falls on Saturday, Sunday or a State Holiday, it is extended to the next business day.

Mailing - Postmark Policy - This Department accepts validation or postmark by the U.S. Postal Service as evidence of filing. POSTAGE METER STAMPS DO NOT APPLY.

Courier or Hand-Delivery - Filings received by courier must include an invoice or receipt that bears the date that the item was picked up by the courier from the originating sender. Personal hand-deliveries to the Department must be received before 5:00 P.M. on the DUE DATE.

WHO MUST FILE: An Arizona licensed Surplus Lines Broker must complete and file a Semi-Annual Statement and Premium Tax Report and remit taxes due for all (new, renewal, cancellation) transactions performed by the broker with effective date that falls within the applicable Semi-Annual Statement Period. **DO NOT FILE A REPORT IF there were no transactions with an effective date that falls within the applicable Semi-Annual Statement Period and there is no tax due or a tax refund amount to be claimed.**

HOW TO COMPLETE THE FORM: The following information must be included within a Semi-Annual Statement and Premium Tax Report to be in compliance with the reporting requirements:

- **Part A - EXHIBIT OF SURPLUS LINES INSURANCE BUSINESS TRANSACTED:**
 - **Must be completed in full.**
 - Amounts reported must reflect only those transactions having a **policy effective date** or a **cancellation effective date** within the Semi-Annual Statement period.
 - Gross and Net (taxable) premiums must include all fees charged to the insured, but must not include stamping fees which are payable to the Surplus Lines Association of Arizona.
 - DO NOT round numbers.
 - DO NOT file a "NONE" report.
 - **Transactions reported to the Surplus Lines Association of Arizona more than 60 days after the policy effective date** or cancellation effective date **will require an Amended or Supplemental Semi-Annual Statement and Premium Tax Report to be promptly filed with the Department of Insurance with payment of any additional tax due.**
 - **The FIRE PORTION OF AGGREGATE NET PREMIUMS (Column D) for Fire and Allied Lines must be provided** to enable the Department to disburse fire premium tax revenue to the Fire Fighters Relief and Pension Fund. If necessary, please consult the underwriting manager(s) or insurer(s) for their recommendation as to a reasonable percentage or amount which represents the portion of the total premium that is attributable to fire insurance coverage for policies issued.
 - **A NEGATIVE TAX DUE may be entered on Line 4** when Line 1 Total of Column B "Return Premiums Paid to Insureds" exceeds Line 1 Total of Column A "Aggregate Gross Premium Charged Including Fees." Pursuant to A.R.S. § 20-416 "The surplus lines broker shall return the tax on any portion of the premium unearned at

the termination of the insurance policy to the policyholder. The surplus lines broker is prohibited from absorbing the tax and from rebating, for any reason, any part of the tax or commission.” To support a negative tax amount shown in Line 4 and to receive a refund of tax, print a “Summary Report” from the Surplus Lines Association of Arizona’s web site (www.sla-az.org) and attach it to the Semi-Annual Statement and Premium Tax Report. You may write upon the Summary Report any notations or provide a separate written explanation of the circumstances or reporting errors that pertain to the tax refund. The Arizona Department of Insurance will request any additional information needed to issue the tax refund.

- **THE AFFIDAVIT OF BROKER UNDER OATH must be executed and notarized.**
- **PREMIUM TAX REMITTANCE** - Check the appropriate box for the selected payment option.
 - **Check must be payable to the Arizona Department of Insurance and MUST ACCOMPANY the Report.**
 - **ACH Credit Delivery – Before attempting to remit tax payments by ACH credit delivery, a firm must complete and file Form E-ACH.SLB.** The firm must already utilize ACH payment services with a financial institution that adheres to the standards prescribed by the NACHA and **use Form E-ACH.INSTRUCTION** to send payment of the TOTAL tax due via ACH credit delivery (wire transfers NOT accepted).

DO NOT combine payments for multiple reports that are being filed together.

Each licensed broker must report and remit taxes due separately.

Checks payable to the Arizona Department of Insurance for taxes due must not include stamping fees which are payable to the Surplus Lines Association of Arizona.

It is the responsibility of each licensed firm and its employed surplus lines brokers to maintain separate and reconcilable records of surplus lines transactions. If you hold a Surplus Lines Broker license and are employed by a firm that also holds a license, transactions reported to the Surplus Lines Association of Arizona under **YOUR** Arizona license must be reported on **YOUR** Semi-Annual Statement, and transactions under the firm’s Arizona license must be reported on **ITS** Semi-Annual Statement. Failure to correctly report may result in disciplinary against the broker that fails to pay the full tax amount due according to his/her “408” reports filed with the Surplus Lines Association of Arizona. If you are the designated broker for a Risk Purchasing Group, **file only one Semi-Annual Statement for all** Risk Purchasing Group transactions with qualified Surplus Lines Insurers and report only those transactions with a policy (new or renewal) effective date or policy cancellation date that falls within the Semi-Annual Statement period.

All transactions must be reported to the Arizona Surplus Lines Association within 60 days to comply with A.R.S. § 20-408 requirements and avoid applicable penalties.

FAILURE TO ACCURATELY AND TIMELY REPORT SURPLUS LINES TRANSACTIONS WILL RESULT IN ENFORCEMENT OF DISCIPLINARY ACTIONS SUCH AS LICENSE SUSPENSION, IMPOSITION OF CIVIL PENALTIES AND/OR AN AUDIT OF THE BROKER’S RECORDS AT THE EXPENSE OF THE INDIVIDUAL BROKER(S) OR FIRM.

PENALTY FOR DELINQUENT REPORT - LICENSE SUSPENSION OR REVOCATION: The Director of Insurance **may deny, suspend, revoke or refuse to renew the license** of a surplus lines broker who fails to timely file a complete and acceptable Semi-Annual Statement and Premium Tax Report or to timely pay all tax due, pursuant to A.R.S. § 20-418.

CIVIL PENALTY FOR LATE TAX PAYMENT: A surplus lines broker who fails to timely pay tax due is liable for **civil penalty up to \$25 per day for each day of delinquency**, pursuant to A.R.S. § 20-417.

ADDITIONAL CIVIL PENALTIES: The Director of Insurance may impose an **ADDITIONAL civil penalty up to \$250 for each violation** of Arizona Insurance Laws, not to exceed an aggregate civil penalty of \$2,500. The Director of Insurance **may also impose a civil penalty up to \$2,500 for each intentional failure or violation** of Arizona Insurance Laws, not to exceed an aggregate civil penalty of \$15,000, pursuant to A.R.S. § 20-295(F)(2).

For assistance please call the TAX UNIT at (602) 364-3998